

**PROPERTY TAX REFUND  
Exclude Non-Taxable Social Security  
from PTR Household Income**

March 1, 2022

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	<b>X</b>	

Department of Revenue  
Analysis of H.F. 3509 (Sandstede) / S.F. 3571 (Rest) as introduced

	<b>Fund Impact</b>			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
Homestead Credit Refund	\$0	\$0	(\$91,300)	(\$92,900)
Renter Property Tax Refund	<u>\$0</u>	<u>\$0</u>	<u>(\$31,500)</u>	<u>(31,700)</u>
General Fund Total	\$0	\$0	(\$122,800)	(\$124,600)

Effective beginning for refunds based on rent paid in 2022 and property taxes payable in 2023.

**EXPLANATION OF THE BILL**

Under current law property tax refunds (PTR) are calculated based on a definition of household income that includes federal adjusted gross income and adds other non-taxable income sources including social security, contributions to retirement plans, and government assistance payments.

The proposal would change the definition of income for calculating property tax refunds to exclude non-taxable social security income.

**REVENUE ANALYSIS DETAIL**

- The estimates are based on the February 2022 forecast.
- Under the proposal, the amount of household income used to determine property tax refunds would be reduced by excluding non-taxable social security income, which would increase refunds to eligible homeowners and renters receiving social security payments.
- It is assumed that approximately 248,000 homeowners and 93,000 renters would receive an increased property tax refund, resulting in an increase in state general fund costs beginning in FY 2024. The average refund increase is estimated to be approximately \$350 for homeowners and \$290 for renters.
- The change in the definition of income would increase the number of homeowners and renters qualifying for a refund. It is assumed that approximately 27,000 new claimants would become eligible and file for a property tax refund under the proposal.
- By changing the measure of income, state-paid property tax refunds to homeowners and renters would increase by \$122.8 million beginning in FY 2024.

Number of Taxpayers: Approximately 368,000 homeowner and renter PTR claimants would receive an increased refund.

## PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	Determining total household income for taxpayers would require accounting for fewer sources of income.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

*The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

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